SaskTel

Consolidated Financial Statements of

NAVIGATA HOLDING, INC.

December 31, 2003

President's Message

Navigata Holding, Inc. is a wholly owned subsidiary of Saskatchewan Telecommunications Investments Inc. which is, in turn, wholly owned by Saskatchewan Telecommunications Holding Corporation (SaskTel). Navigata Holding, Inc. is a holding corporation that owns 100% of Navigata Communications Inc. (Navigata), a telecommunications company based in North Vancouver, British Columbia with operations in B.C., Alberta, Ontario, and Quebec.

Navigata is an established entity that has operated a telecommunications business in Canada for over 45 years. It provides voice, data, Internet, hosting, web development and phone card services (pre and post-paid) to retail customers across Canada, as well as wholesale voice, data and prepaid card services to wholesale customers across Canada and around the world.

As a wholly owned subsidiary of SaskTel and an entity that is in the same core business, Navigata is considered a critical element to SaskTel's long term growth and success. Its mandate is to serve as a sales and marketing vehicle that enables SaskTel to compete and grow outside Saskatchewan. Navigata provides SaskTel:

- The ability to compete for and win customers on a national and international basis;
- Wholesale services to assist SaskTel in delivering competitive telecommunications solutions to Saskatchewan based customers that have operations elsewhere in Canada and North America;
- The means to achieve growth and the economies of scale that an expanded market brings;
- An entrepreneurial arm to lead in the development of new and innovative ideas and technologies, structures processes, and modeling that, once proven, can then be used by SaskTel within Saskatchewan and other strategic business units;
- The opportunity for the creation of new markets; and
- A different regulatory perspective.

Operationally, Navigata and SaskTel benefit from synergies possible due to shared operating systems and platforms, economies of scale, and improved supplier negotiating strength. By year end 2003, $10 million of Holdco synergies were achieved and an additional $7.5 million of synergies are expected in 2004.

During the 28 months of SaskTel ownership, significant organizational and operational changes have been implemented at Navigata in an effort to shed costs and improve net margins. In accordance with its business plan and as presented in SaskTel's 2002 Annual Report, Navigata was not expected to achieve profitability in 2003. Year end losses totaled $11.6 million. In 2003, costs incurred to restructure Navigata's business totaled $6 million and capital expenditures were $4.6 million. The benefit of incurring these costs is reflected in increased

switching capacity, upgraded prepaid card and toll-free service platforms and reduced ongoing overhead costs. These ongoing benefits combined with the expected synergies will result in an overall net benefit to SaskTel in 2004 through its ownership of Navigata.

The overarching theme throughout Navigata's go-forward 2004 Strategic Business Plan is cash flow and profitability. Four key thrusts have been identified as the guiding principles that will drive Navigata's decisions and operations in 2004. All business units' goals and objectives fall out of these four key thrusts:

1. Drive Operating Efficiencies

   Navigata will continue to focus on opportunities to improve its bottom line through both internal operational improvements and joint Navigata/SaskTel synergies. In 2004, Navigata and SaskTel will continue to pursue cross company operational efficiencies that are intended to enhance the profitability of both organizations. Joint product development and support, cross selling, and shared technical, financial, legal, human resources and marketing resources are a few of the many synergies being focused on.

2. Focusing the Business

   Navigata is making adjustments to both its product portfolios and customer base – focusing on those product lines and customers that achieve required net margin to the organization.

3. Transition the Product and Service Focus

   Navigata is shifting its product and service focus away from traditional voice-centric telecommunications and toward data and IP services and applications that offer enhanced value to the end user and reduce Navigata's reliance on the ILEC and other suppliers. VoIP technologies and product offerings will be core to this thrust.

4. Expand through Targeted Growth

   In 2004, Navigata's marketing and sales efforts will focus primarily on driving increased on-net and near-net customer growth as well as cross sell and up sell opportunities with Navigata's existing customer base. A shift in focus up-market to the underserved medium business base and targeted efforts that leverage key competitive differentiators into four industry verticals is also part of Navigata's growth strategy.

2003 Results

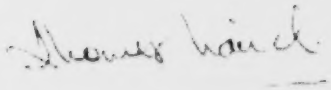
Operating revenues grew to $64.7 million in 2003 from $50.7 million in 2002. The 28% increase in revenues can be attributed to significant growth in the retail and carrier business. Revenues for 2004 are projected to show continued growth over 2003.

Gross margin percentage decreased from 41.9% in 2002 to 33.3% in 2003. This was due to increased one-time costs related to expansion of Navigata's network to provide data, toll-free and international services.

Operating expenses increased from $26.5 million in 2002 to $27.7 million in 2003. This increase was due to corporate restructuring and reorganization costs in the amount of $6 million. The net loss for the full year in 2003 was $11.6 million compared to $11.0 million for 2002.

Navigata received $10.7 million of funding from SaskTel as share capital. In addition, Navigata sold $8 million of assets as part of a sale lease back transaction, of which $5.2 million was used through 2003. The $15.9 million was used as follows: $8.7 million to fund operating activities and working capital; $2.6 million to repay obligations under capital leases; and $4.6 million to fund purchases of property, plant and equipment.

Since the purchase of Navigata by SaskTel in August, 2001, the company has been in transition. With approval of the Navigata 2004 Strategic Business Plan and associated funding, Navigata has the resources to cover its capital requirements and grow in the face of competition and rapid industry change. Navigata is now positioned to provide profitable growth to SaskTel in 2004 and future years.



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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of Navigata Holding, Inc. as at December 31, 2003 and the consolidated statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Regina, Canada
January 14,2004

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31 (Thousands of dollars)	**2003**	2002
Operating revenues	**$ 64,655**	$ 50,722
Inter-carrier and other costs of sales	**43,109**	29,474
Gross margin	**21,546**	21,248
Operating expenses		
Operating expenses	**27,652**	26,581
Depreciation and amortization	**4,787**	4,478
	32,439	31,059
Loss from operations	**(10,893)**	(9,811)
Interest expense	**1,072**	1,269
Interest and other income	**(424)**	(90)
Loss before income taxes	**(11,541)**	(10,990)
Provision for income taxes (Note 9)	**67**	15
Net loss	**$ (11,608)**	$ (11,005)

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended December 31 (Thousands of dollars)	**2003**	2002
Deficit, beginning of year	**$ (13,489)**	$ (2,484)
Net loss	**(11,608)**	(11,005)
Deficit, end of year	**$ (25,097)**	$ (13,489)

See Accompanying Notes

NAVIGATA HOLDING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (Thousands of dollars)	**2003**	2002
Assets		
Current assets		
Cash	**$ 4,874**	$ 1,664
Accounts receivable	**11,768**	8,040
Prepaid expenses	**581**	524
	17,223	10,228
Property, plant and equipment (Note 4)	**28,530**	34,816
Intangible assets (Note 5)	**716**	1,037
	$ 46,469	$ 46,081
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 14,090**	$ 10,789
Deferred revenues	**3,985**	3,586
Current portion of long term debt (Note 6)	**2,892**	2,683
	20,967	17,058
Long term debt (Note 6)	**5,866**	8,316
Accrued employee benefit liability (Note 7)	**25**	196
	26,858	25,570
Shareholder's equity		
Share capital (Note 8)	**44,708**	34,000
Deficit	**(25,097)**	(13,489)
	19,611	20,511
Continuing operations (Note 1)	**$ 46,469**	$ 46,081

See Accompanying Notes

ON BEHALF OF THE BOARD

Dan Baldwin

John Meldrum

NAVIGATA HOLDING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (Thousands of dollars)	**2003**	**2002**
Cash provided by (used in):		
Operating activities		
Net loss	**$ (11,608)**	$ (11,005)
Items not affecting cash from operations (Note 10)	**5,843**	4,257
Net change in non-cash working capital items (Note 11)	**(2,901)**	(1,211)
	(8,666)	(7,959)
Financing activities		
Repayment of capital lease obligations	**(2,641)**	(2,312)
Proceeds from long term debt	**400**	-
Share capital issued	**10,708**	14,000
	8,467	11,688
Investing activities		
Business acquisition (Note 3)	**-**	(536)
Property, plant and equipment disposals (Note 4)	**8,032**	-
Property, plant and equipment expenditures	**(4,623)**	(4,856)
Intangible assets acquired	**-**	(400)
	3,409	(5,792)
Increase (decrease) in cash during the year	**3,210**	(2,063)
Cash, beginning of year	**1,664**	3,727
Cash, end of year	**$ 4,874**	$ 1,664
Income taxes paid	**$ 61**	$ 132
Interest paid	**$ 1,086**	$ 1,261
Interest received	**$ 145**	$ 64

See Accompanying Notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- The Corporation

Navigata Holding, Inc. (the Corporation) was incorporated on May 15, 2001 under the *Business Corporations Act* (Saskatchewan). The Corporation provides a full range of data and voice telecommunications services and products, including high-speed data networking, internet access, hosting services, web design, long distance service and local phone service, to business and residential customers located in British Columbia, Alberta, Ontario and Quebec. The Corporation is a wholly-owned subsidiary of SaskTel Investments Inc. (STII), the ultimate parent corporation of which is Saskatchewan Telecommunications Holding Corporation (Holdco). The financial results of the Corporation are included in the consolidated financial statements of Holdco.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business, notwithstanding that significant operating losses were incurred during the past two years. The application of the going concern concept is dependent on the continuing support of Holdco and its ability to develop and maintain profitable operations. Accordingly, these consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern.

Note 2 -- Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Navigata Communications Inc., with all significant intercompany transactions and balances being eliminated.

Property, plant and equipment

Property, plant and equipment is recorded at cost including materials, services and direct labour.

Depreciation and amortization of property, plant and equipment is provided for using the straight-line method at composite rates estimated to reduce the cost of the assets to the estimated salvage values over the average service lives of the assets. Property, plant and equipment is written down to its net recoverable amount when such amount is less than its net carrying amount.

With respect to property, plant and equipment acquired, constructed or developed over time, the Corporation follows the policy of capitalizing related equipment, construction, development and installation costs as plant under construction. These costs are then depreciated and amortized on a basis consistent with the Corporation's depreciation and amortization policy from the date the asset is substantially completed and put into productive use.

Intangible assets
Intangible assets are recorded at cost of acquisition or development, including where applicable direct development costs, overhead costs directly attributable to development activity and betterment costs. Intangible assets with a finite useful life are amortized using the straight-line method at rates that will reduce the cost to any estimated residual value over the estimated useful life, and are written down to their net recoverable amount when such amount is less than their net carrying amount.

Employee benefit plans
The Corporation has certain defined benefit plans providing pension benefits to employees. The Corporation accrues its obligations under these defined benefit plans and the related costs, net of plan assets. The cost of benefits is actuarially determined using the projected benefit method prorated on service and management's best estimates of actuarial assumptions. The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. The fair value of plan assets is used to calculate the expected return on plan assets and any actuarial gains or losses thereon. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.

Revenue recognition
Substantially all of the Corporation's revenues are derived from the provision of data and voice telecommunications services and products delivered by its operating subsidiary. Revenues from the sale of services are recognized based on customer usage as measured by the Corporation's switches or on a job or phase completion basis, as appropriate to the nature of the contractual agreement under which the services are provided. Revenues from the sale of products are recognized when such products are delivered and accepted by customers.

Stock-based compensation plan
Effective January 1, 2003, the Corporation adopted the new recommendations under CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*. The Corporation applies Section 3870 prospectively to all stock-based payments to employees granted on or after January 1, 2003.

The Corporation accounts for all options granted to employees under the intrinsic value method, whereby the excess, if any, of the fair market value of the stock as at the date of grant over the exercise price of the option is recorded as stock-based compensation expense. As the exercise price of options granted was equal to the market value on the measurement date, the Corporation has determined that the application of this accounting policy does not affect reported results of operations for the year ended December 31, 2003.

Income taxes
The Corporation follows the asset and liability method of tax allocation accounting whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantial enactment. The amount of future income tax assets recognized is limited to the amount that is estimated as more likely than not to be realized.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Note 3 -- Business acquisitions

In the prior year, the Corporation acquired the customer base and network assets of Entirety Communications Inc. (Entirety), a Vancouver Island based provider of internet access, hosting and web design services. The acquisition has been accounted for under the purchase method and the results of operations from Entirety have been included in the financial statements of the Corporation from October 15, 2002. The total consideration paid by the Corporation to acquire Entirety was $0.5 million. The fair value of the identifiable assets and liabilities acquired was $0.6 million and $0.1 million respectively.

Note 4 -- Property, plant and equipment

Asset	Useful life
Plant and equipment	5 to 30 years
Office furniture, equipment and leaseholds	3 to 5 years

	Cost	Accumulated depreciation and amortization	Net book value	
			2003	2002
			(Thousands of dollars)	
Plant and equipment	$ 29,285	$ 4,185	**$ 25,100**	$ 27,314
Office furniture, equipment and leaseholds	3,423	1,822	**1,601**	2,231
Materials and supplies	796	-	**796**	823
Plant under construction	1,033	-	**1,033**	4,448
	$ 34,537	$ 6,007	**$ 28,530**	$ 34,816

Depreciation and amortization of property, plant and equipment during the year totalled $4,466,067 (2002 – $4,317,296). Property, plant and equipment includes assets under capital leases of $10,431,092 (2002 – $10,569,683) and accumulated depreciation and amortization of $2,700,360 (2002 – $1,664,714).

Effective September 12, 2003, the Corporation sold $8,000,000 of assets to R&R Leasing. R&R Leasing leased the assets to Holdco who in turn leased back the assets to Navigata Holding, Inc. for a term of 5 years. The lease has been recorded as an operating lease. The Corporation

recognized a gain of $1,601,270 which is being amortized over the term of the lease. The balance of the unrecognized gain is included in deferred revenue.

Note 5 -- Intangible assets

	Cost	Accumulated amortization	Net book value	
			2003	2002
			(Thousands of dollars)	
Customer accounts	$ 808	$ 436	**$ 372**	$ 641
Spectrum licenses	400	56	**344**	396
	$ 1,208	$ 492	**$ 716**	$ 1,037

The cost of customer accounts acquired is being amortized over their estimated useful life of 3 years from date of acquisition, and the cost of spectrum licenses is being amortized over their remaining terms as at the date of acquisition of approximately 8 years. Amortization of these definite life intangible assets during the year totalled $320,877 (2002 - $161,066).

Note 6 -- Long term debt

	Years to Maturity	Weighted Average Interest Rate (%)	2003	2002
			(Thousands of dollars)	
Saskatchewan Telecommunications	5	4.27%	**$ 400**	$ -
Capital lease obligations			**8,358**(a)	10,999
Total long-term debt			**8,758**	10,999
Less current portion of long-term debt			**2,892**	2,683
			$ 5,866	$ 8,316

(a) Certain property, plant and equipment have been acquired under lease transactions which are accounted for as purchases. The capital lease obligations recorded in these consolidated financial statements reflect the present value of future minimum payments under these leases, discounted at the interest rates implicit in the leases. The interest rates implicit in these leases primarily range between 5.7% and 8.7% (2002 - 7.0% and 10.2%), with a weighted average of 7.6% (2002 - 8.2%). The lease agreements expire variously between 2004 and 2006. During the year, the Corporation did not acquire property, plant and equipment under capital leases (2002 - $27,255).

	2003	2002
	(Thousands of dollars)	
2003	$ -	$ 3,747
2004	**3,708**	3,686
2005	**3,761**	3,738
2006	**2,563**	2,557
Aggregate future minimum lease payments	**10,032**	13,728
Portion representing implied interest	**1,674**	2,729
Capital lease obligations	**8,358**	10,999
Less current portion	**2,866**	2,683
Long-term portion	$ **5,492**	$ 8,316

Interest expense on capital lease obligations during the year totaled $1,049,909 (2002 - $1,262,604).

Note 7 -- Employee benefit plans

The Corporation has certain defined benefit plans providing pension benefits to employees. Current service costs of these plans are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 2002. The results of this valuation have been extrapolated to December 31, 2003.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimates, therefore, involve risks that the actual amounts may differ materially from the estimates.

Information about the Corporation's employee benefit plans as at and for the periods ended December 31, 2003 and 2002, in aggregate, is as follows:

Economic assumptions

	2003	2002
Discount rate	**6.25%**	6.50%
Expected long-term rate of return on plan assets	**7.00%**	7.00%
Inflation rate	**3%**	3%
Rate of compensation increase	**4%**	4% plus merit increases
Post-retirement index	**2%**	2%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Results from the latest actuarial valuation as at and for the full year ended December 31, 2003, and the major assumptions used in the valuation, with respect to the pension expense, accrued benefit obligation, plan assets and funded status are as follows.

Benefit expense

(Thousands of dollars)	2003	2002
Current service cost	$ 915	$ 833
Interest cost	784	728
Expected return on plan assets	(679)	(667)
Amortization of net transitional obligation	(3)	10
Amortization of actuarial loss	135	39
Impact of settlement/curtailment	(29)	-
Net benefit expense	$ 1,123	$ 943

Accrued benefit obligation

(Thousands of dollars)	2003	2002
Accrued benefit obligation, beginning of year	$ 11,867	$ 9,584
Current service cost	1,508	1,439
Interest cost	784	728
Benefits paid	(1,182)	(347)
Impact of settlement/curtailment	(107)	-
Impact of change in discount rate	568	463
Experience and other gains	(617)	-
Accrued benefit obligation, end of year	$ 12,821	$ 11,867

Plan assets

(Thousands of dollars)	2003	2002
Fair value of plan assets, beginning of year	$ 8,477	$ 8,305
Actual return on plan assets	804	(909)
Employer contributions	1,294	822
Employee contributions	591	606
Refund of assets on termination of Supplemental Plan	(58)	-
Benefits paid	(1,182)	(347)
Fair value of plan assets, end of year	$ 9,926	$ 8,477

Accrued benefit liability

(Thousands of dollars)	**2003**	2002
Funded status - deficit	**$ (2,895)**	$ (3,390)
Unamortized transitional obligation	**(370)**	(358)
Unamortized actuarial loss	**3,240**	3,552
Accrued benefit liability	**$ (25)**	$ (196)

In 2003 the Corporation wound up the Navigata Communications Inc. Retirement Compensation Arrangement for a former senior officer ("Supplemental Plan"). The wind up of the Supplemental Plan has been accounted for as both a settlement and a curtailment, effective January 1, 2003.

Note 8 -- Share capital

Authorized: Unlimited Class A Common Shares without par value

Issued: Class A Common Shares:

	Number of shares	**Amount** (Thousands of dollars)
Issued to STII on incorporation and Balance - December 31, 2001	2,000,000	$ 20,000
Issued to STII for cash during 2002	1,400,000	14,000
Balance - December 31, 2002	3,400,000	34,000
Issued to STII for cash during the year	1,070,800	10,708
Balance - December 31, 2003	4,470,800	$ 44,708

At December 31, 2003 the Corporation has a share option plan. Under the plan, the Corporation may grant options to plan members for up to 1,200,000 common shares. The exercise price of each option equals the greater of $10 and the fair market value of the Corporation's shares on the date the option is granted. The maximum term of the options is 1 year.

A summary of the status of the Corporation's share option plan as at December 31, 2003 and 2002, and changes during the periods ended on those dates, is presented below:

	Number of shares	Average exercise price	Number of shares	Average exercise price
	2003		2002	
Options outstanding, beginning of period	**400,000**	**$ 10**	250,000	$ 10
Granted	**1,200,000**	**10**	400,000	10
Exercised	**-**	**-**	-	-
Expired	**400,000**	**10**	250,000	10
Options outstanding, end of period	**1,200,000**	**$ 10**	400,000	$ 10

The options contain certain specific performance conditions which must be met before they are exercisable. The weighted average remaining life of the options is 12.5 months.

The option plan is subject to revision or revocation at the discretion of the Navigata Board of Directors. However, the Corporation expects there to be between 500,000 and 1,200,000 options granted and outstanding throughout the period ending January 15, 2005.

Pro forma compensation expense:

Under the intrinsic value method, the Corporation has not recognized any compensation expense for options issued to its employees during the year ended December 31, 2003. Had the Corporation determined compensation expense for option grants made to employees after December 31, 2002 based on the fair values of the stock options at the grant dates consistent with the fair value method, the Corporation's net loss and net loss per share for the year ended December 31, 2003 would not have been different from the amounts reported.

The weighted average estimated fair value at the date of grant for options granted during the year ended December 31, 2003 was $0 per share. This is due to the fact that it is unlikely that the Corporation would meet the performance conditions on the options that would provide the employees with the right to exercise the options.

Note 9 -- Income taxes

The amount recorded as a provision for income taxes for each of the periods ended December 31, 2003 and 2002 represents a provision in respect of federal large corporations tax. Neither the Corporation's immediate parent STII, nor its ultimate parent Holdco, is subject to Federal or Provincial income taxes in Canada, as Holdco is a Saskatchewan Provincial Crown corporation. The Corporation, however, is subject to Federal and Provincial income taxes in Canada, as a consequence of the Corporation's incentive stock option plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Corporation has available non-capital losses for income tax purposes of approximately $81,271,000 (2002 - $69,466,000), which are available to be carried forward to reduce taxable income in future years, and expire as follows:

	(Thousands of dollars)
2004	$ 34
2005	698
2006	9,778
2007	37,398
2008	2,498
2009	18,723
2010	12,142
	$ 81,271

Temporary differences as at December 31, 2003 between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases deductible against taxable income of future years, including non-capital losses, are as follows:

	(Thousands of dollars)
Property, plant and equipment	$ (4,608)
Intangible assets	241
Accrued employee benefit liability	25
Reserves, provisions and other	3,386
Non-capital tax losses carried forward	81,271
Net temporary differences	$ 80,315

The future income tax benefit which may arise as a result of these net temporary differences has not been recognized in these consolidated financial statements.

Note 10 -- Items not affecting cash from operations

	2003	2002
	(Thousands of dollars)	
Depreciation and amortization	**$ 4,787**	**$ 4,478**
Gain on disposal of property, plant and equipment	**(67)**	**(13)**
Defined benefit plan	**1,123**	**(208)**
	$ 5,843	**$ 4,257**

Note 11 -- Net change in non-cash working capital items

	2003	2002
	(Thousands of dollars)	
Accounts receivable	**$ (3,728)**	$ (1,420)
Prepaid expenses	**(57)**	(168)
Accounts payable and accrued liabilities	**3,301**	1,812
Deferred revenues	**(1,123)**	(1,435)
Pension obligation funding	**(1,294)**	-
	$ (2,901)	$ (1,211)

Note 12 -- Financial instruments

Credit risk
The Corporation has a sufficiently diversified customer base that it is not subject to any significant concentration of credit risk.

Currency risk
The Corporation has no significant exposure to foreign currency fluctuations.

Fair value
The carrying values of cash, accounts receivable and accounts payable and accrued liabilities reflected in the consolidated statement of financial position approximate their respective fair values due to the short-term nature of these instruments.

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. The fair value of long term debt and obligations under capital leases is not determinable at this time due to the financial support provided by Holdco.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 -- Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions and amounts outstanding with related parties at period end are as follows:

	2003	2002
	(Thousands of dollars)	
Operating revenues	**$ 6,180**	$ 2,310
Operating expenses	**714**	186
Interest expense	**4**	-
Accounts receivable	**580**	291
Accounts payable	**1,052**	364
Deferred revenues	**-**	1,834
Property, plant and equipment expenditures	**597**	414

Note 14 – Commitments

The Corporation has entered into various agreements providing it with a long-term supply of telecommunication network facilities, including network usage agreements with minimum volume requirements, and also leases certain office premises and equipment under operating leases. The future minimum payments under these agreements and leases in each of the next five years are as follows:

	(Thousands of dollars)
2004	$ 32,189
2005	21,466
2006	18,919
2007	3,185
2008	2,557

In 2003, the Corporation issued 3 Letters of Credit totalling $ 835,000 ranging in term from 6 months to 1 year from date of issue. The Letter of Credits were issued to suppliers as a credit facility and have not been drawn upon.